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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI-2135-82
15 March 1982

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Chairman, National Intelligence Council
Chief, East Asia Division, DDO

FROM: David Gries
National Intelligence Officer for East Asia

SUBJECT: Request that you support State's efforts to
pry \$4.1 million out of OMB for The Asia
Foundation in FY 1983

1 As you know, The Asia Foundation, [redacted] became independent during the 1970s and turned to AID for funding. In 1980 Congress recommended that The Asia Foundation be accommodated in State's budget, but the recommendation was never implemented. State is now trying to include The Asia Foundation in its FY 1983 budget, but has been informed by OMB that the request for \$4.1 million can only be accommodated in State's budget if the budget is reduced in some other category by a like amount. Attached is a copy of Deputy Secretary Stoessel's letter to Mr. Stockman opposing OMB's position and requesting an amendment to the State budget in the amount of \$4.1 million. State, through John Holdridge, has asked for your support in convincing Stockman to change his mind.

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2. I recommend that you inform OMB that you agree with Stoessel's position on grounds that The Asia Foundation merits funding at least at the \$4.1 million level. It is unreasonable to ask State to absorb this amount, and it can be further assumed that if pressed State will cut the \$4.1 million rather than absorb all of it. If you wish me to prepare a letter for your signature to Stockman, please let me know.

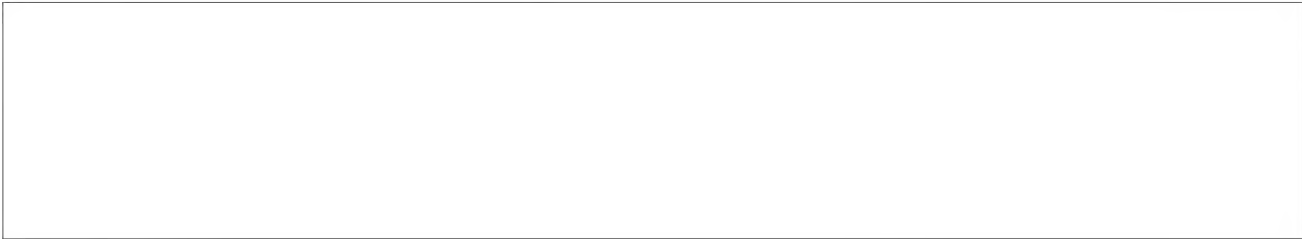
State Dept. review completed.

All portions Secret.

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REVW ON 15 MAR 1988

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DG
David Gries

Attachment:
As stated

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THE DEPUTY SECRETARY OF STATE
WASHINGTON

S/S 8205559

March 11, 1982

DAVID Gries STAT

Dear Mr. Stockman:

COPIES TO:

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In 1980 the Congress decided that the State Department budget was a suitable place in which to provide for funding for The Asia Foundation (TAF). It has also made its position clear that TAF should be treated as a separate entity and not have to compete for funds with operations and programs of the State Department. TAF has not, however, been included in State's budget requests, and in 1981 and 1982 Congress took the initiative to include funds for TAF. In the 1982 budget report the State Department and TAF trustees were requested to provide a report to the Congress on whether and how TAF should be funded. An extensive review, which included obtaining the opinion of our Ambassadors in countries where TAF has programs, led the Department of State to the conclusion that TAF makes an invaluable contribution to U.S. foreign affairs objectives and that TAF has functions which could not be performed by a USG organization. It was found also that separate and additional funding was the most logical approach since TAF is a separate organization, not an operation of the Department of State. This position also has the advantage of coinciding with Congressional desires. Accordingly Judge Clark, then Deputy Secretary, approved that method of financing TAF on December 1 and a report to the Congress was prepared reflecting his decision. The report is herewith forwarded to OMB for its clearance together with a request for approval for a budget amendment to add to the FY 1983 State request of \$4.1 million for the Asia Foundation under the category 'other.'

As you are aware, to implement Judge Clark's decision, Mr. Kennedy requested funding for TAF on December 14. Mr. Schneider's reply was that \$4.1 million could be included for TAF "so long as these increases are offset by by equivalent budget authority and outlay reductions in the Department's 1983 budget allowance." The Department of State objects to this proviso on principle. At the time of shifting from AID to State funding, there was agreement that the AID ceiling would be lowered and the State ceiling would be raised by the amount

The Honorable
David Stockman,
Director,
Office of Management and Budget.

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of funding for TAF which was transferred from one budget to the other. In preparing the 1981 budget submission, that agreement was not respected by OMB, thereby preventing an orderly establishment of a base for TAF funding. Congress has objected to this procedural barrier to funding for TAF, as it has shown by twice adding funds for TAF and by numerous letters to the Executive Branch.

We are requesting only \$4.1 million for TAF for 1983, the same nominal figure as in 1981 and 1982 -- in real terms an amount some 25% below the 1981 funding level, in large part reflecting TAF success in cutting administrative costs.

Our concern about handling TAF in a fashion which antagonizes the Congress goes well beyond the future of TAF itself. Other programs of much greater magnitude and importance than TAF such as aspects of the security and economic assistance budgets could suffer if the handling of TAF funding were to annoy key members of the Congress. In sum, further problems in regularizing support for TAF may entail such great costs for many of the President's programs that the small amount for The Asia Foundation would be insignificant in comparison.

We would appreciate your addressing the report and request for budget amendment expeditiously since the Department of State's budget hearings begin in mid-March.

Sincerely,



Walter J. Stoessel



DEPARTMENT OF STATE

Washington, D.C. 20520

UNCLASSIFIED**MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE****Subject: The Asia Foundation: The Report to Congress**

In its report on the Foreign Relations Authorization Act for fiscal year 1982 the Senate Foreign Relations Committee requested a joint report from the Department of State and the Trustees of the Asia Foundation (TAF) concerning the future of TAF. On December 1, as Deputy Secretary of State, you approved the continuation of USG support for The Asia Foundation through a separate authorization in the Department's budget earmarked for grant to TAF. This recommendation specified that funds so authorized would be separate from and in addition to other funds for the Department in 1983 and future years. A report incorporating the approved option was prepared and is being sent to OMB for clearance.

In implementation of the above decision, the Department requested OMB on December 14 to add a budget request of \$4.1 million for TAF as a separate appropriation for FY 1983. On December 30, OMB responded requiring offsetting reductions in other areas of the State budget, in effect rejecting the position you approved on separate funding. Given this position, it seems clear that OMB's initial inclination will be not to approve the report to the Congress nor the Department's request for a budget amendment for 1983 funds for TAF. There are three basic issues: advisability of funding The Asia Foundation, the method of funding TAF, and dangers of contention between the Administration and the Congress.

A. The Asia Foundation makes a very important and cost effective contribution to the State Department. All the Ambassadors in Asian countries where TAF has programs have

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underlined the high regard they have for TAP's activities. TAP is able to implement many programs which the USG finds highly desirable but could not have performed by any government agency. TAP's contributions are very large in comparison with the modest funds provided by the USG, which are supplemented by private contributions. This view of TAP, held by Ambassadors in the field and officials in State who have had the most knowledge of TAP's work, has not been openly disputed. Congressmen who have examined TAP share this opinion of TAP's contribution.

B. TAP is a separate organization and not an activity of the Department of State. While its activities very much support the political objectives of the Department, they are in areas such as public affairs, development and cultural exchanges which are not normally functions of the Department of State. It is therefore logical that TAP should be a separate item in the State budget with funds in addition to those provided for State's own operations. This is what was done in 1981 and 1982 when the funds were added to the State budget by Congressional initiatives. Congress, State and TAP trustees have this view of TAP funding, but OMB, in the name of budget discipline, wishes to have TAP compete against State operations and programs as a new item.

C. Congress has strongly backed funding for TAP and has insisted on separate and additional funding. Congressman Zablocki wrote: "It has been brought to my attention that decisions are currently pending which will affect the future of The Asia Foundation. The purpose of this letter is to express, in the strongest terms possible, my unqualified support for the continued funding of this modest program which is of inestimable value in promoting U.S. foreign policy objectives." (May 2, 1980 letter to then President Carter)

Senator Percy wrote: "It is my belief -- and I know that others in Congress share this view -- that The Asia Foundation was intended to be treated as a separate entity and not have to

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compete with other programs in the State Department for funding. I would, therefore, strongly urge your efforts to ensure that the Foundation is included in the FY 1982 budget submission." (Excerpt from a November 19, 1980 letter to then Secretary of State Muskie)

If OMB's position prevails, this will be the third fiscal year in a row that we have failed to respond to very clear Congressional intent. Continuing inability of the Executive Branch to be responsive to Congressional desires on this fairly minor matter in which only a modest sum is involved can only cause an unnecessary irritation in our relations with the Congress. We do not expect Congress to accept readily a report which points out the high opinion of TAF's contributions held by Ambassadors and other officials, but concludes that TAF should not be funded.

We are forwarding herewith a copy of the report for your information. I would appreciate your informing OMB that you endorse its conclusion that TAF makes an important contribution to the conduct of US foreign relations and its recommendation to the Congress that TAF be supported by separate and additional funding in the State budget.

L. Paul Bremer III
Executive Secretary

Attachment: Joint Report to the Congress on Asia Foundation by the Department of State and the Trustees of the Asia Foundation. Letter to be signed by the Assistant Secretary of State for Congressional Relations

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